1. create and their competitive advantage (marshall

Business, Industries

1. IntroductionDigital platforms organizations are the main tools of transforming theeconomy into a digital economy. They use advanced digital technologies, areprimarily data-driven, and match supply and demand in unconventional and newways. The last century, information technology has deeply reduced the need toown physical infrastructure and assets; it facilitates the platform's abilityof evaluating and exchanging huge amounts of data, and consequently increasesthe value of the platform. Thesetechnology enabled business models to contrast the traditional organizationalforms in the ways they control supply chains, lead a network of platformpartners, and develop business models. Platform businesses bring togetherproducers and consumers in high value exchange. Their chief assets areinformation and interaction, which together are the source of the value theycreate and their competitive advantage (Marshall W.

VanAlstyne Geoffrey G. Parker Sangeet Paul Choudary, 2017, March 21, Pipelines, Platforms, and the New Rules of Strategy. Retrieved December 15, 2017, p. 54). These operating systems do not sell products or services, rather they areselling access to a software and a digital system of reputation and trustbetween supply and demand. Platformbased business model gave also rise to what is often called the sharingeconomy. The sharing economy refers to the phenomenon which deals with peopleobtaining, giving, and sharing access to goods and services by means of adigital platform. Platform providers can be both for-profit and non-profit.

Tounderstand how digital platforms are transforming competition in the sharingeconomy, the paper is going to focus on the following question: to what extent isNetflix influencing competition in its industry and in the U. S.

sharing economy? To come up with an answer to this main theme, the research method will beliterature based and the structure of the paper is first dealing with some generalinformation about the organization's background and afterwards Porter's Five Forcesmodel is going to be applied to Netflix's industry, with the aim of determiningthe level of competition in the industry in which it competes.

Furthermore, inorder to analyse the digital platform's influence on the U. S. economy, thepaper is going to deal with Netflix's disruptive impact on it, known as the" Netflix effect". 2.

Theoretical Framework 2. 1General backgroundNetflix was founded on 1997 in California by Marc Randolph and ReedHastings. Initially, Marc Randolph came up with the idea of selling a productor service over the Internet (but he didn't know what to sell). One day, Reed Hastingswas charged $40 in overdue fines because he returned too late a copy of a film. He then suggested to his partner to start renting out videos on the internetand, in this way, Randolph and Hastings started a business together.

TheNetflix website was officially launched in 1998 (Keating, Gina (2012). Netflixed: The Epic Battle for America's Eyeballs. Portfolio/Penguin.

). At that time they had about 30 employees and 925 itemsavailable to rent. Netflix's core competency was that customers were sent DVDsvia mail on a pay-per-rental basis where late and postal fees were applied. In1999 the platform introduced the monthly subscription format (O'Brien, Jeffrey M.

(December 2002). “ The NetflixEffect”. Wired News.) ; it consists in paying a flat-fee each monthin exchange for unlimited rentals.

The innovating feature of this business isthat costumers don’t have due dates to return rentals, no late fees, noshipping costs, and handling fees (“ Things YouShould Know About Renting From Netflix”. Lifewire. Retrieved August 10, 2017.). Thecompany had considered the idea of providing movies online. In the mid-200s thedata speeds and capacity were able to offer the service of downloading moviesfrom the internet. The idea consisted in a ” Netflix box” that allowedcostumers to download movies overnight and watch them the day after.

However, with the increasing popularity of Youtube, Netflix decided to adapt thestreaming concept as well. The plan was completed in 2007 (“ The inside story of how Netflix transitioned todigital video after seeing the power of YouTube”.).

In2006, Netflix introduced a new service which dealt with recommending movies. Byusing subscribers’ ratings, the platform can accurately predict which movies asubscriber would enjoy watching next by using a filtering algorithm. This serviceled to huge success, it caused, in fact, an increase in rentals and subscribersacross the world. In 2005 Netflix gained 4. 2 million members, and two yearslater, in 2007, it delivered its billionth DVD by mail (“ TheVictoria Advocate – Feb 26, 2007”.

p. B4.). In the same year, the digital platform offered video on demand, thus streaming, to its subscribers. The big revolution ofNetflix’s strategy consisted in providing the opportunity to costumers ofwatching television shows and movies instantly on their PC’s and laptops aswell as on the traditional television. This service marked the beginning ofstreaming media as known these days.

In the following years, the company partnered with electronics companies toallow streaming on electronic platforms, such as the Xbox 360, Blu-ray disc andsmart TVs (“ What Netflixand Hulu Users are Watching… and How”. NielsenWire. July 27, 2011. Retrieved July 27, 2011.). In 2010 Netflix became available on Apple’s iPad and iPhones, Nintendo Wii aswell, and other Internet connected devices (Falcone, John P. (May 9, 2008). “ Netflix Watch Now: Missing too much popularcontent”.

CNET. Retrieved July 19, 2010.). Hereafter, the digital platform expanded itself and made services available around theworld. In April 2014, Netflix had 50 million global subscribers with 32. 3%video streaming market share in the United States.

The company offered itsservices in 41 countries worldwide (Chakrabarty, Saumyadeb; Kalluvila, Sriraj, eds. (April 22, 2014). “ Netflix price hikesseen boosting global expansion”. Reporting by Soham Chatterjee; PhotoCredit: Reuters/Mike Blake. London. Reuters.

Archived from the original onApril 22, 2014. Retrieved April 22, 2014.). Justa couple of months later, the digital platform improved the number ofsubscribers, of which 36 million in the United States (Lawler, Richard (July 22, 2014).

“ Netflix crosses 50 million subscribers worldwideand takes aim at Comcast / TWC”. Retrieved July 23, 2014.).

Thanksto the new service that allowed costumers to watch movies and shows offline, onApril 2017, Netflix reached the 100 million subscribers (Bond, Shannon (April 17, 2017). “ Netflix nears 100m subscribermilestone”. Financial Times.

Retrieved April 30, 2017.). In the month of October 2017, Netflix was estimatedhaving 109. 25 million subscribers worldwide, counting 52. 77 million in theUnited States (“ Netflix Letter to Stockholders Q32017” (PDF). Retrieved October 16, 2017.).

(Netflix, 2017, December 13. Retrieved December 15, 2017, from https://en. wikipedia.

org/wiki/Netflix). As suggested by the data about Netflix’sexpansion, the digital platform could be defined as successful. However, a wayto accurately attest its profitability is by means of Porter’s five forces model, which analyses the level of competition within the industry in which thebusiness operates. Whatmakes Netflix such a successful business is the bargaining power of buyers. Buyersare powerful because they can easily switch to another service but they stillchoose to purchase and consume Netflix’s services. As they are not bound to anannual contract, consumers can subscribe to one service one month and thenswitch the next. As a consequence, Netflix react by offering an appealingselection of movies and series in order to encourage as many costumers aspossible to renew their subscription.

Consideringthe bargaining power of suppliers the company has to obtain and renew contractswith networks and studios to keep the costumers satisfied. These suppliers arelately debuting with their own streaming services, and hence less willing toshare products with Netflix. In such manner, some of the suppliers are becomingthe digital platform’s competitors. Suppliers can also establish strategic alliancesor cooperation making the industry more concentrated and thus themselves morepowerful. Thethreat of new entrants is an addressing problem considering the new trends comingup. However, entering the streaming video industry although being a company ofsmall-scale makes it difficult to compete with a renowned brand such asNetflix. The costs involved in lasting contracts are extensive and new entrantsare not able to face them if not by partnering with a competitor, thus an entrybarrier is represented by capital requirements.

Nonetheless, in order to limitthe competition and the new entrants, Netflix has to keep improving itsservices selection or offer differentiated ones. Cableservices are one of the main substitute for streaming video. Costumers who areinterested in watching news and sports enjoy the traditional cable televisionwhich often also offers free streaming entertainment. Furthermore, Netflixfaces the risk of being substitute by pirating. In general, competing with freeservices is always difficult. Netflix has to deal with rivals as streamingapps, PBS, Crackle or Snag Films, for example, offer their products for free orin exchange to publicizing their sponsors. However, as on-demand streamingkeeps growing in popularity, the threat of substitutes is going to diminish, considering that online entertainment is gradually replacing the traditional cabletelevision.